

RE: Annual Federal USF Certification Process

Dear

As you may be aware, as part of the annual federal USF certification process for funding year 2003, the Commissioners asked Staff to investigate whether or not it had the authority to direct carriers to establish a separate general ledger account for the booking of federal USF funds. The general ledger account would be used to compare the funds received for a specific year to the companies' supporting documentation attesting that those funds would only be used for the purpose intended by the Act.

Staff has had conference calls with the industry (USF working group) and all parties agree it is not feasible to require carriers to establish a general ledger account for tracking USF funds because the requirement would violate generally accepted accounting principles standards. However, the USF working group came up with an alternative proposal for the Commission's consideration. The USF working group created the attached sample spreadsheets the companies would submit to the Telecommunications Department Staff for review prior to the annual October 1 certification. In addition to the Telecommunications Department Staff's review of the spreadsheets, periodic random audits of the spreadsheet information would be performed by the Accounting Department.

The spreadsheets in Attachment 1 provide documentation for a "test year" and for the "previous year". In other words, for the October 1, 2004 certification, the test year would be December 31, 2003 and the "previous year" would be the finalized USF filings from 2002.

The "test year" represents how the company would apply support to activity for both plant and expense items. This data should also correspond to the data submitted to the PSC in the Annual Report. If the data does not correspond to the PSC annual report submissions, the company should explain the discrepancies. The "previous year" data represents the USF information filed with the National Exchange Carriers Association.

Since competitive companies do not complete or maintain the type of information as required in Attachment 1, they will be required to complete a form similar to that in Attachment 2. This form applies to both wireline and wireless competitive companies that have been designated as an eligible telecommunications carrier and would also be submitted annually for Staff review and/or periodic audits.

The appropriate spreadsheet for your company, as well as, an affidavit executed by an officer of the Company, attesting that the federal high-cost support received by the Company has been (and will be) used only for the provision, maintenance and upgrading of facilities and services for which such support is intended shall be provided to the

Telecommunications Department Staff no later than August 15 of each year for the October 1 certification date.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Natelle Dietrich
Regulatory Economist

Cc: Trip England
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Lisa Chase